networks.

CBGs do not adequately correlate to rural LEC populations patterns.

BCM2 has made adjustments to consider where people actually live, there will be telcos where households are substantially farther than 500 feet from the road.

BCM2 has not explained how it will update Census data.

CPM uses a smaller area, there is no evidence that CPM is any better at predicting real costs.

The models need further refinement to account for terrain conditions in part because for small companies the feeder and subfeeder plant may lie outside the CBG.

RTC does not know which of the proposed approaches is best to deal with the question of whether both business and residential lines should be included.

Due to the under predictions of costs by the models, the FCC cannot lawfully impose a proxy model on small carriers, but must provide a process by which carriers can choose to use actual cost and obtain relief for under predictions by the models.

Sprint

BCM2 provides the means to fund and distribute support to local exchange customers.

BCM2 assumes that all plant facility requirements are placed at single point in time according to an engineering model that matches engineering practices used today by an incumbent LEC or net entrant.

Census block groups are more appropriate as the geographic unit for determining cost

support.

BCM2 relies on public data.

BCM2 has been run for all states and service territories while results for the Hatfield model and the cost proxy model are available for only a limited number of states and service territories.

Southwestern Bell (SWBT)

The various proxy cost models that have been submitted are generally quite complex, having variable inputs, tables, and calculations, and neither sufficient time nor sufficient information about the models has been provided to perform a detailed review of any of them.

The wide disparities in the models' cost outputs support SWBT's position that universal service support calculations should be based on an eligible carrier's actual costs.

Proxies should be judged on the following criteria:

(a) easy to administer and simple to implement

(b) reasonably reflect actual costs in order to ensure that support is "sufficient"

(c) appropriately relate costs and support levels

(d) reflect cost differences that actually exist geographically by LEC

BCM and BCM2 purport to use CBGs, in reality neither does. Simplifying and faulty assumptions are made about their shapes which makes mapping actual wire center boundaries difficult. Use of either real CBG boundaries or the assumed boundaries would also result in

additional expense to LECs in order to perform the necessary mappings.

Various SWBT comparisons of outputs from the BCM2 model and from the CPM model with USF funding and actual SWBT costs demonstrate the variances between the models themselves, and between the models and reality.

TSLIRC is an inappropriate basis on which to base universal service calculations. Its use fails to account for investment that has not been recovered and is being used by LECs to provide local service and to fulfill carrier of last resort obligations.

Hatfield model should be rejected. The Hatfield model takes an extremely simplistic and unrealistic view and uses several flawed or erroneous assumptions about incumbent LEC networks. Its results therefore do not reflect actual LEC costs, especially those taken in order to fulfill readiness-to-serve obligations to meet customer expectations and regulatory requirements.

United States Telephone Association (USTA)

Proxy model could be used to identify high cost areas, but not to determine the costs of providing US in those areas because they do not include embedded costs.

No proxy model should be mandated for rural telcos.

Embedded costs should be used because they reflect the result of past commitments to provide US.

BCM1 and Hatfield should not be used, because they produce incremental costs, not actual or embedded costs.

Hatfield does not provide costs of any realistic local service provider.

U S WEST

(BCM2) updated should be used.

There is limited information on which to evaluate the CPM, but think that the "grid cell" methodology can potentially provide a better approximation of customer location in sparsely populated areas.

Are considering future improvements in the BCM2.

Difficult to obtain Hatfield data.

Proxy cost models should satisfy the following criteria:

1. Model should be publicly available and easy to understand and operate.

2. Inputs and outputs should be reasonable.

3. The network designed by the model should be capable of providing high quality telephone service.

4. The model should accurately reflect the elements which it purports to reflect.

5. The model and its application to the targeting of high-cost support to specific geographic areas should assure the continued provision of affordable basic telephone service and encourage the efficient evolution of local competition.

Hatfield model seriously underestimates the cost of constructing a network to provide basic telephone service.

Hatfield understate prices and discounts are overstated.

Hatfields fill factors are incompatible with providing an adequate quality of service.

There are significant discrepancies in the loop costs between BCM and Hatfield.

CBG is the appropriate level of geographic disaggregation to avoid cross-subsidies between areas.

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Inc., General Services Administration, GTE, GVNW Inc., ITCs, Inc. (Representing 12 companies), MCI, Maine Public Utilities Commission (8 state commissions), MFS Communications Company, Inc., Minnesota Independent Coalition, National Cable Television Association, National Exchange Carriers Association, NYNEX, Northern Mariana Islands, Pacific Telesis Group, Pacific Telecom, Inc. Sprint, Puerto Rico Telephone, Company, Rural Telephone Coalition, Rural Utilities Service, Southwestern Bell Telephone, United States Telephone Association, US West, Virgin Island Telephone Corporation, and Western Alliance

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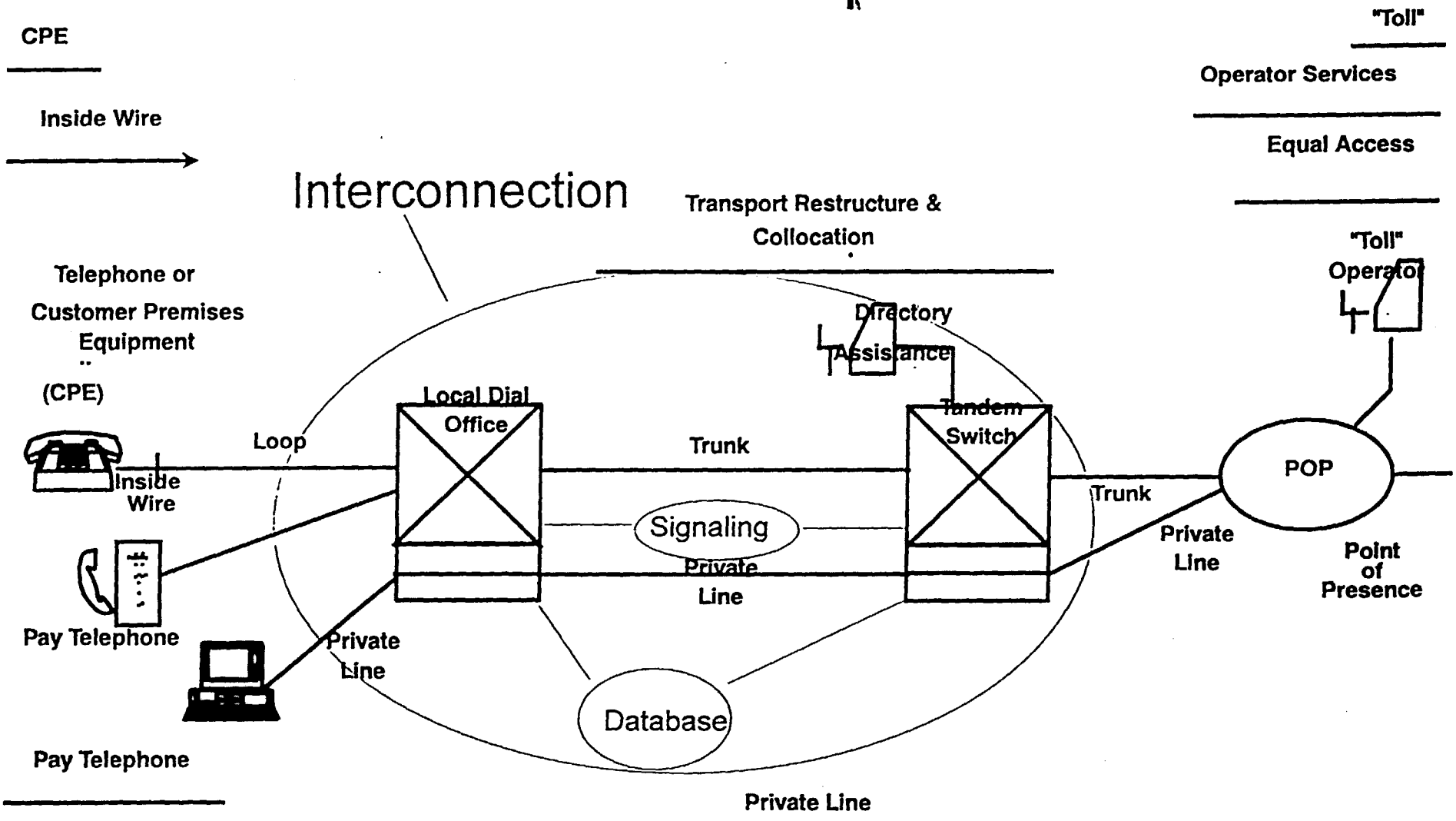
March of Competition



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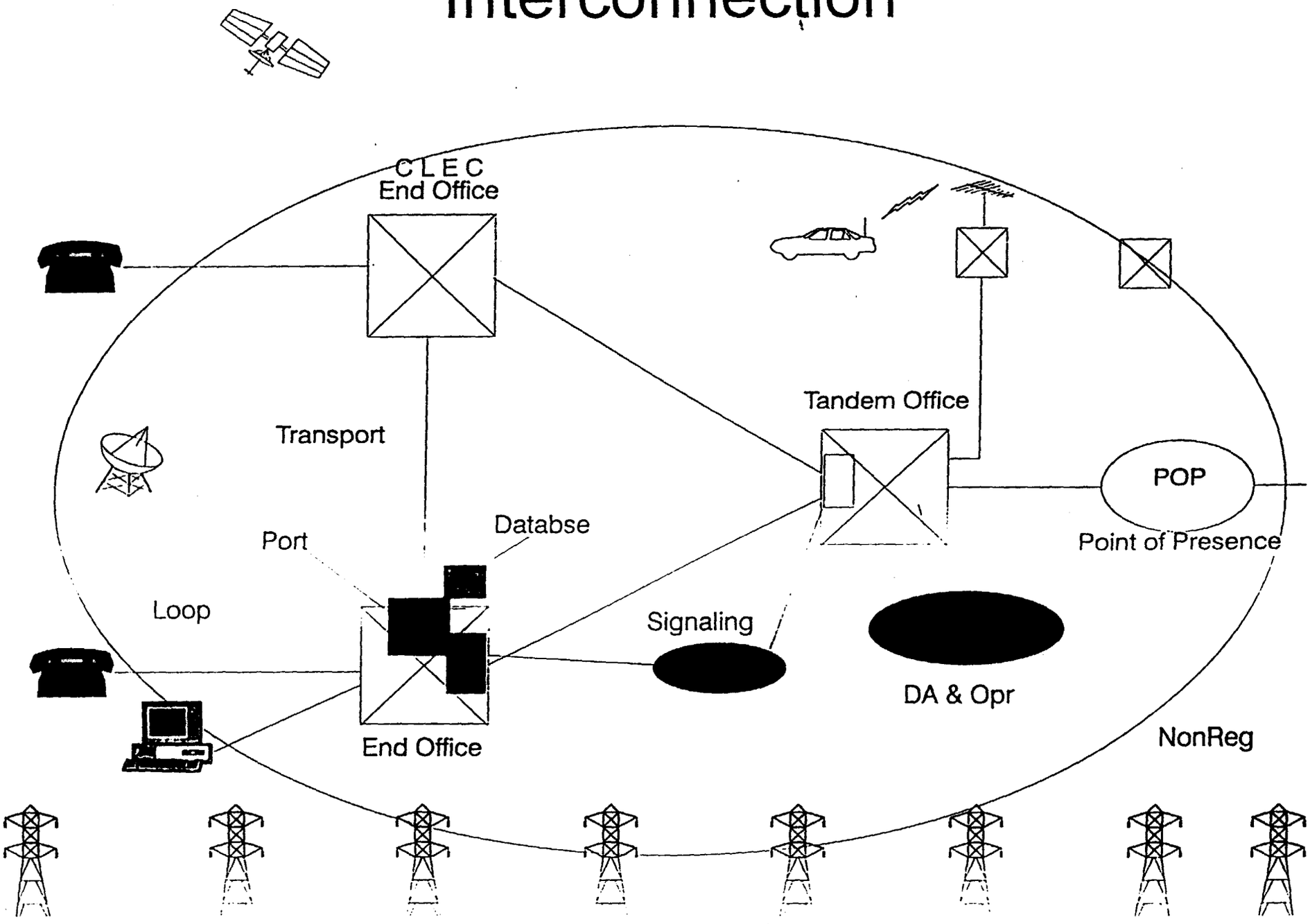
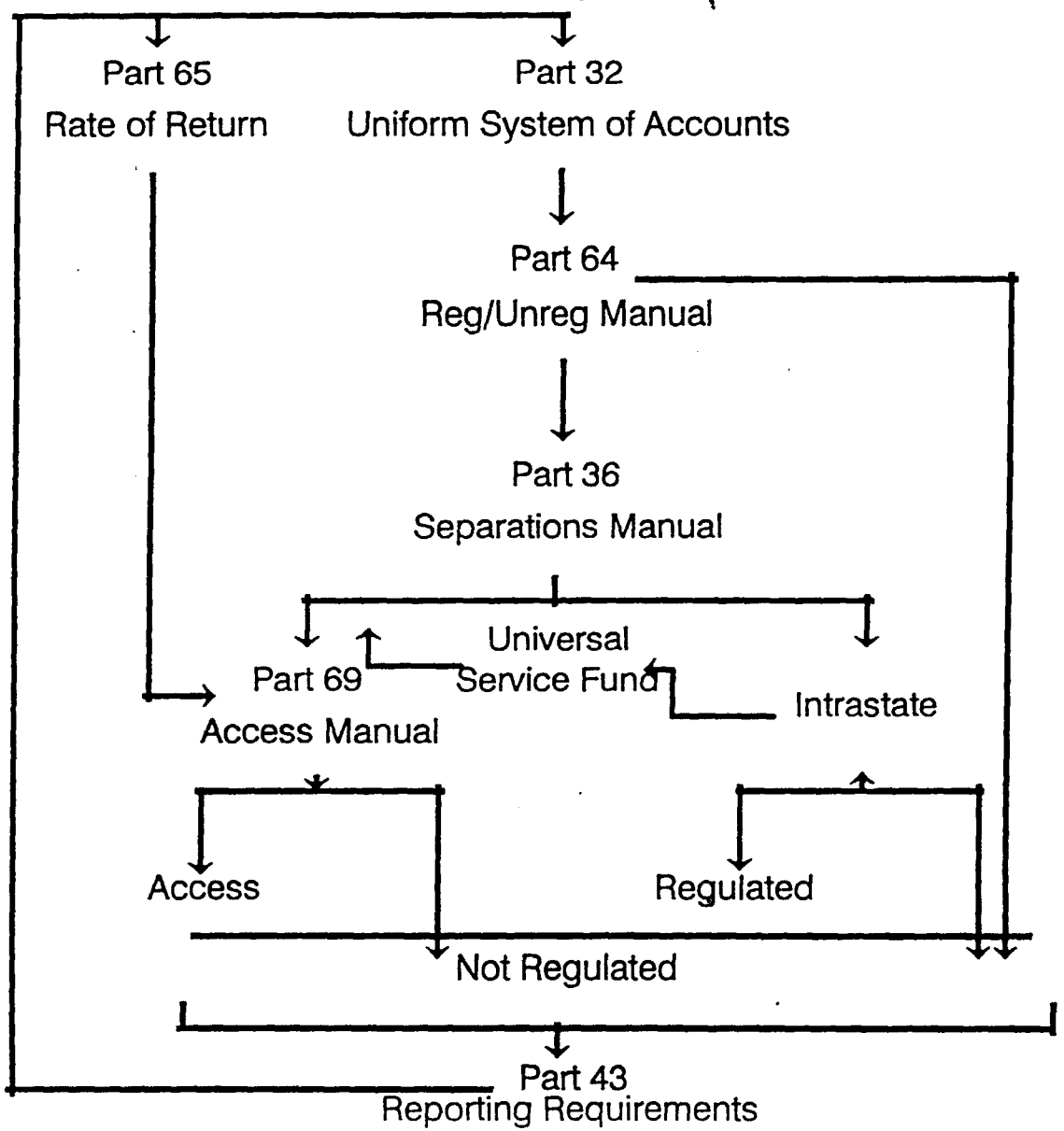
Interconnection



The Costing Process



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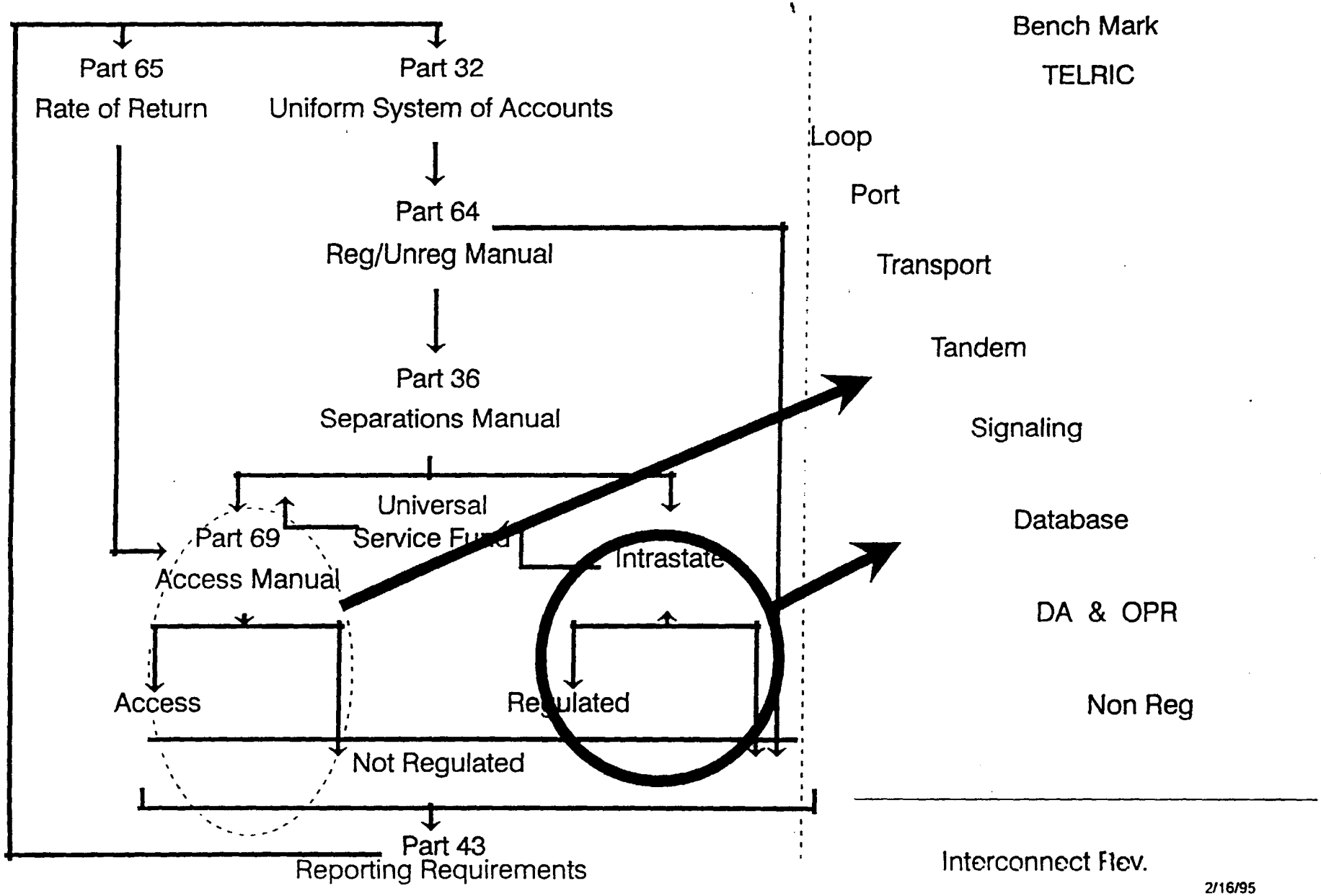
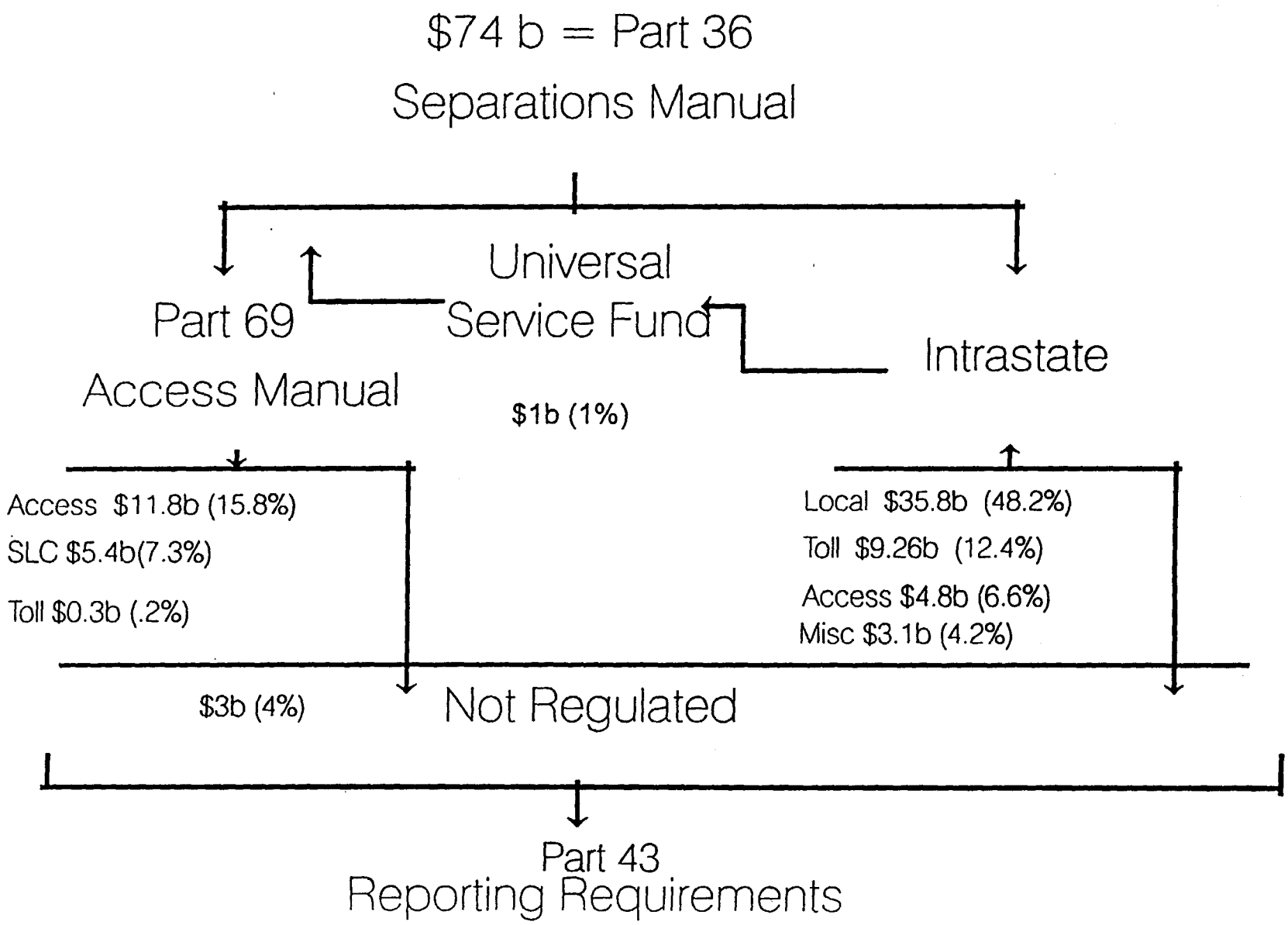


RBOC Costing Process



RBOC Costing Process